

**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday August 17, 1976

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State Department review completed

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**NATIONAL SECURITY INFORMATION**  
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Tuesday, August 17, 1976.

The NID Cable is for the purpose of informing senior US officials.

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GREECE-TURKEY: Aegean

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[redacted] Turkish Prime Minister Demirel announced yesterday that the research ship Sismik I will begin surveying in a third region of the Aegean on Thursday.

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[redacted] Neither Demirel nor Energy Minister Kilic has yet disclosed the ship's itinerary, but the government has committed itself to do so 48 hours before the ship's departure.

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[redacted] The International Court of Justice met yesterday in closed session to consider Greece's unilateral appeal. The Court is likely to take several weeks before ruling on the Greek request for interim measures and several months to decide on the substance of the dispute. The UN Security Council will resume its debate on the issue today.

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LEBANON: Situation Report

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[redacted] Arab negotiators have renewed attempts to reinvigorate the Syrian-Palestinian accord on Lebanon signed in late July. There appears to be no coordination, however, among the several Arab efforts to restart negotiations. At the same time, Christian forces have stepped up their offensive against Palestinian positions in the mountains east of Beirut.

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[redacted] A Palestinian delegation talked with Syrian officials over the weekend about the Syrian-Palestinian agreement, with no apparent result. The accord and its accompanying cease-fire, which were to have gone into effect early this month, have never been implemented because of disagreements over the composition of a quadripartite truce committee and Christian reluctance to stop fighting.

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25X1 [ ] The commander of the Arab League security force met yesterday with Christian leaders and with Palestine Liberation Organization chairman Yasir Arafat in an apparent attempt to give the impression of diplomatic movement in the wake of League negotiator Hasan Sabri al-Khuli's return to Cairo.

25X1 [ ] Al-Khuli arrived yesterday, ostensibly for consultations with League officials who insist that he has not given up his mediation mission. He is known, however, to have been disheartened and may be reluctant to go back to Lebanon.

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25X1 [ ] The Christians reported "fierce" fighting around Aynturah and Mutayn in the mountains, and a Christian radio broadcast predicted that forcible "liberation of the mountain area" is imminent unless Palestinian forces agree to withdraw peaceably.

25X1 [ ] Other Christian broadcasts announced yesterday that Syrian forces had captured the town of Hammama on a key road junction just north of the Beirut-Damascus highway. The Palestinians have denied losing the town. We have no other indications

of Syrian participation in the fighting in this area. Capture  
of the town would cut off supply routes to Palestinian positions  
in Aynturah and Mutayn.

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USSR: Arms to SWAPO

25X1 [ ] Moscow has reportedly agreed to provide additional military aid to Namibia's South-West Africa People's Organization.

25X1 [ ] A delegation of organization members, led by president Nujoma, met with Soviet party secretary Ponomarev and reportedly with Defense Minister Ustinov in Moscow last week. The visit was sponsored by the Soviet Afro-Asian Solidarity Committee. [ ] the main purpose of the visit--perhaps the reason it received no advance publicity--was to ask for additional arms. [ ] the Soviets granted the request.

25X1 [ ] The arms talks may have been timed to coincide with a constitutional conference now being held in Namibia. Some non-white delegates to the conference want to invite represen-

tatives of SWAPO to participate, and the press has suggested that South African Prime Minister Vorster might back such a move.

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[redacted] Moscow may reason that additional military support at this time would ensure that SWAPO would reject any overture to participate in the conference, which the Soviets view as a South African attempt to forestall Namibian aspirations for independence.

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[redacted] The Soviets, by increasing their military support, may also be attempting to weaken Nujoma's dependence on Chinese arms. Using their success in Angola as evidence, the Soviets may be counseling Nujoma to put himself squarely on Moscow's track in order to ensure maximum Soviet support for his efforts to expand guerrilla operations in Namibia.

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FRANCE: Socialist Defense Policy

25X1 [REDACTED] //The French Socialists will probably press for a moderate line on defense issues--not much different from that of the present government--when they meet with the Communists and left Radicals next month to revise their "common program for governing."//

25X1 [REDACTED] //Socialist party leader Francois Mitterrand wants to commit the left to such a line to reassure French voters and the US that the left alliance would not be a threat to French and West European security if it comes to power in the next parliamentary election in 1978.//

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[ ] //The Socialists are divided on defense policy, but Mitterrand is strong enough to impose his views on the party factions. The left Radicals apparently also will support him.//

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[ ] //Mitterrand's proposals include:

--Retention of the program's plank supporting conscription for six months service instead of a year.

--Opposition to any French commitment of forces to the "forward battle area."

--Rejection of any moves to station France's Pluton tactical nuclear missiles in West Germany or to reintegrate formally French forces into NATO.

--Retention of the call for immediate signature of the nuclear test ban and nonproliferation agreements and for joining the Vienna disarmament talks--the only points on which Mitterrand's proposals contradict present government policy.//

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[ ] //Mitterrand and his advisers anticipate few problems with the Communists on these proposals. The Communists are likely to oppose strongly other provisions of the defense plank, which call for:

--Maintaining at least the current level of defense spending "unless world conditions change."

--Continued improvement of France's strategic nuclear forces until a "major East-West disarmament agreement" is reached. This is directly opposite to the common program's current position.

--Support for increased military cooperation with other West European countries, including greater standardization of armaments and tactical coordination with NATO.//

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[ ] //The Communists proposed last June that the left define more clearly its stand on France's relationship to the Atlantic alliance. They interpreted statements at that time by President Giscard and the French Chief of Staff as moving France

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closer to NATO, and they noted efforts by NATO members to discourage Communist participation in West European governments. The Communist spokesman assured his leftist allies, however, that his party would not demand that the program call for total withdrawal from NATO.//

25X1 [ ] //The Communists are committed to opposing any French strategy that emphasizes the Soviet threat--as they believe the recent government statements do--but at the same time the Soviet arms build-up has become one of the party's principal concerns.//

25X1 [ ] In a major policy speech before the party's central committee in June, Communist foreign policy expert Jean Kanapa said any future leftist government in France should:

--Be ready to renegotiate the terms of France's relationship with NATO.

--Propose a nonaggression agreement with the Warsaw Pact nations and join the US-USSR accord on the prevention of nuclear war.

--Practice "total independence" from East and West and guarantee France's security with an "authentically national" defense policy.

25X1 [ ] //While Mitterrand has been sharply critical of President Giscard on some security issues, the similarity of some of his proposals to Giscard's policy will generate additional speculation that the two men are signaling that they will be able to work together if the left wins in 1978. Giscard's policies also agree with Mitterrand's on other issues, such as European unity, on which the Communists and Gaullists have also found some common ground in opposition.//

25X1 [ ] //The government's presentation of the 1977 military budget to the Assembly in October will provide another forum for exposing any new approaches by the major parties.//

25X1 [ ]

MALTA: Elections Next Month

25X1 [ ] The dissolution of Malta's Parliament last Friday prepares the way for a new legislative election on September 17 and 18. The approximately 220,000 voters--including for the first time 18- to 21-year-olds--will select the 65 members of the new legislature. The previous one had 55 members.

25X1 [ ] The campaign will probably turn into a referendum on Prime Minister Dom Mintoff's nonaligned foreign policy. The economic impact of the withdrawal of British forces--to be completed by March 31, 1979--is also likely to be a key issue.

25X1 [ ] The election will be determined in large part by Mintoff's success in convincing the voters that his widespread contacts with world leaders and his diplomatic posturing can secure the international commitments needed to keep Malta afloat economically.

25X1 [ ] Recognizing this, Mintoff has been engaged in an almost frantic effort to extract West European guarantees of Malta's neutrality and assurances of economic assistance. He has had little encouragement from West European leaders, who are irritated by his non-stop appeals for economic aid and concerned by his carefully cultivated ties to Libya.

25X1 [ ] Whichever party wins the election, Malta must seek outside help. //The opposition Nationalists have indicated that if they win, they will restore Malta's pro-Western orientation and allow at least a token NATO presence on the island in exchange for economic aid.// [ ]

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WEST EUROPEAN DROUGHT: Sizable Crop Losses

25X1 [ ] The continuing drought in Western Europe has led to sizable crop losses and threatens to close some industrial plants.

25X1 [ ] We now estimate West European grain production in the 1976-1977 marketing year at 124 million tons, down 5 percent from last year's meager harvest. Total EC grain production is estimated at just over 92 million tons, 5 million tons below last year.

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[ ] Recent rains and more moderate temperatures have brought relief to some northern areas, but no real shift has occurred in the weather pattern prevailing since March. The US National Oceanographic and Atmospheric Administration forecasts below-normal rainfall during August for most of northern Europe and southern UK.

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[ ] Because of the additional loss of grain and forage crops, we now project 1976-1977 West European net imports of grain at a record 32 million tons, 12 million tons more than net imports in 1975-1976.

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[ ] The EC, which accounts for the bulk of the increase, will suffer an estimated \$1.7-billion net foreign exchange loss. Reduced EC feed grain exports to third countries will slash earnings by more than \$650 million. Total EC imports of grain in 1976-1977, now estimated at 27.6 million tons, will cost at least \$1 billion more than the predrought estimate.

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[ ] Forage crop and pasturage losses have been even more serious than those of grain. Losses of 25 to 50 percent of the first hay cutting have been reported in some areas. Short forage supplies have already boosted grain feeding requirements, which will continue to increase during the fall and winter months if rainfall remains below normal.

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[ ] Forage crop shortages and the high cost of feeding grain concentrates have increased cattle slaughtering as producers cull their herds. An authoritative West German publication projects total EC cattle slaughter in 1976-1977 at 20.6 million head, up 2 percent from 1975-1976.

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[ ] Much depends on continued rainfall, needed to boost late cuttings of hay and fall pastures. Since producers will make every effort to maintain herds, the crucial decision period on marketings will occur in late fall when winter feeding capabilities are better defined.

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[ ] So far, major Community efforts to offset the impact of the drought on agricultural production and farm income have been limited to maintaining beef prices in the face of increased slaughtering and lowering restrictions on grain imports from third countries. Because EC storehouses are already bursting,

the ceiling for subsidized private stockpiling of beef also has been increased. Restrictions on imports of potatoes and feed grains, principally corn, have been eased.

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[ ] At the national level, drought-related increases in the cost of living probably will range between 1 and 3 percent. Some fruit and vegetable prices already have risen substantially in local markets, but the increases are not large or widespread enough to affect the overall cost of living markedly. Prices of bread and cereals, sugar, and beef are less likely to increase substantially because markets are strictly regulated by the Community.

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[ ] Higher food prices will add to already high rates of inflation. In only three West European countries--West Germany, the Netherlands, and Switzerland--is inflation running below 10 percent.

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[ ] If world market prices for grains remain below the EC's minimum import price--as we expect--the Community can keep the lid on domestic grain prices by permitting more imports. Beef prices are low now because of excess slaughtering. Beef stockpiles are large, and prices may not increase much even in the face of increased production costs and reduced output later in the year.

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[ ] Industrial activity has been affected primarily by reduced river levels. Hydroelectric output is down appreciably in France, Italy, Spain, and Portugal. Industries that rely on river water for cooling, such as steel plants and thermal electric stations, have had to cut production. Western Europe's extensive inland water transport system has been disrupted as well.

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[ ] If dry weather persists, as expected, some industrial plants may have to shut down or not fully reopen after the traditional August vacation. In Britain, for example, a number of chemical companies in South Wales may face a 50-percent reduction in water supplies starting in September.

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[ ] An additional fall in river levels could completely stop barge traffic on some inland waterways and force further interruptions in electricity supplies. [ ]

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## DENMARK: Parliament in Emergency Session

25X1 [ ] Prime Minister Anker Jorgensen has called an emergency session of Parliament today to consider proposals to deal with Denmark's mounting economic problems. The governing Social Democrats lack a majority, and Jorgensen reportedly plans to call an early election if his proposals are turned down.

25X1 [ ] //The principal elements of the government's package are measures to reduce spending and to limit wage increases to 6 percent. In addition to providing some tax relief and a profit-sharing scheme for workers, the legislation includes such controversial provisions as early retirements and limits on overtime pay. The Social Democrats also may propose a surcharge of as much as 20 percent on cigarettes, alcoholic beverages, coffee, sugar, and gasoline in hopes of reducing Denmark's sizable balance-of-payments deficit.//

25X1 [ ] So far, Jorgensen can count on support from only three small parties among the 11 represented in Parliament. The government's main opposition comes from the Liberal Party of former prime minister Hartling. The Liberal Party--the second largest--objects mainly to the concessions to labor, particularly the profit-sharing scheme.

25X1 [ ] //Economics Minister Haekkerup has predicted that, if Parliament fails to reach a compromise on the economic package and an early election is called, Denmark is likely to face a monetary crisis similar to the one it experienced last spring. The government, however, probably has sufficient foreign exchange reserves to avoid a major devaluation of the krone. Even so, the Liberals might not want to take responsibility for forcing an election if this would risk further delays in economic recovery.// [ ]

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## THAILAND: Praphat

25X1 [ ] The Thai government stated today that there is "no substantial evidence" that deposed deputy prime minister Praphat returned to Thailand from exile on Sunday. The statement followed an emergency cabinet meeting called to discuss the situation; it flatly contradicts Prime Minister Seni's statement yesterday confirming reports of Praphat's arrival.



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[REDACTED]

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[REDACTED] //The government is concerned that Praphat's unauthorized return could set off student protests. The former military ruler was considered excessively corrupt [REDACTED] and was the focus of a student uprising in 1973 which brought down then-prime minister Thanom's military regime.//

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[REDACTED] Praphat's return could reunite the now fragmented student movement. Student groups have been meeting since Seni's announcement yesterday. According to press reports, a student demonstration is scheduled to take place today.

[REDACTED]

[REDACTED] //Government officials are worried about the possibility of support for Praphat within the military, which has shown increasing impatience with what it views as an ineffective civilian government.// [REDACTED]

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#### CHINA: Representation Issue in Intelsat

[REDACTED] China again will attempt to challenge Taipei's Intelsat membership at the organization's meeting next month in Nairobi.

[REDACTED] At the last meeting in February 1974, the issue was never brought to a vote because of a procedural error. This time, Peking will probably be able to muster enough third-world support to oust Taiwan.

[REDACTED] While Peking almost certainly will replace Taiwan as an Intelsat member, it is not yet clear whether the Chinese will allow Taiwan to continue as a nonmember user.

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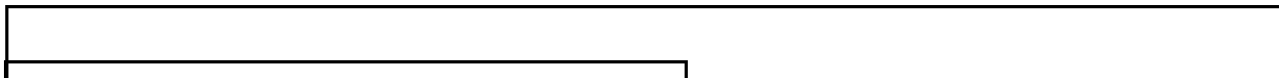


25X1 [redacted] Since 1971, when Peking replaced Taipei in the UN, the Chinese have gradually ousted the Nationalists from a number of international organizations. Peking has not, however, appeared anxious to undermine Taipei's domestic economy or its foreign trade. [redacted]

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#### JAPAN: Yen Rises

25X1 [redacted] The Japanese yen closed at 290 to the dollar in Tokyo yesterday, up sharply from 292.35 on Friday. The tightly controlled yen has risen over 2.5 percent since July 1, and nearly 5 percent since the beginning of the year.



25X1 [redacted]  
25X1 [redacted] Demand for yen built last week as exchange market traders looked for currencies likely to appreciate in the wake of an anticipated realignment of the joint European float. Bank of Japan intervention yesterday was estimated at over \$10 million.//

25X1 [redacted] //The yen's rise over the last two months is generally attributed to Japan's large trade surplus so far this year. Even though the surplus is expected to decrease during the second half of 1976, we estimate Japan will have a trade surplus of nearly \$8 billion this year, compared to \$5 billion in 1975.// [redacted]

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